

A MULTI-DIMENSIONAL ANALYSIS OF LOCAL ECONOMIC DEVELOPMENT IN GRAAFF-REINET, EASTERN CAPE

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ABSTRACT

This article presents the results of a business survey conducted in the Great Karoo town of Graaff-Reinet. The survey solicited the views of business owners on a range of economic issues. The findings also draw on a number of in-depth Midlands-Karoo studies, carried out in the early 1970s, in order to add nuance to the prevailing understanding of the factors that influence local economic development (LED) in small towns. It is argued that LED is a multi-faceted phenomenon. It requires a holistic approach that recognises its inherent complexity, involving factors such as local leadership, diversification, the local skills base, in-migration, corporate investment, and entrepreneurship.

Keywords: Graaff-Reinet; local economic development (LED); Karoo; business survey; small towns.

1. INTRODUCTION

Small towns have not featured very prominently on South Africa's political landscape since 1994. The focus has been primarily on areas with 'economic potential', as identified by the Government's National Spatial Development Perspective (SA Presidency, 2003), and regions with high levels of poverty, such as the ex-homelands. Between these poles of economic advantage and disadvantage, the issue of small and medium-sized towns has largely disappeared from many planners' radar screens (Atkinson, 2009; Xuza, 2005).

There are however indications that many small towns are quietly booming (Donaldson, 2007; Van der Merwe, Ferreira & Zietsman, 2005). Although some are 'single sector' towns heavily dependent on industries such as mining or tourism (Nel & Binns, 2002), others are developing into more balanced, diverse economies. Furthermore, a number of these smaller towns are attracting new residents. These range from indigent ex-farm workers (Atkinson, 2007) through to middle-class, middle-aged 'semigrants' from the cities (cf. Brown & Wardwell, 1980 for an American perspective).

This paper is informed by the findings of a business survey conducted in Graaff-Reinet, in the Eastern Cape, in 2007. After decades of relative stagnation, Graaff-Reinet is increasingly building up economic momentum. Its municipality is also encouraging investment, by interacting with a wide range of public and private sector agencies. The paper cites ten factors which have influenced Graaff-Reinet's economic growth.

These factors might be useful to Local Economic Development (LED) practitioners as criteria for analysing small towns' economic potential and growth.

A series of studies, referred to here as 'the Midlands-Karoo reports', was undertaken in the 1970s by scholars from Rhodes University and the University of the Free State (Blumenfeld, 1971; Cook, 1971; Truu, 1971; Le Clus, 1974; Vrey, 1974). These reports provide a valuable benchmark for contemporary economic assessments. The Midlands-Karoo studies revealed a steady decline in the economic fortunes of the Karoo and the Cape Midlands during the decades leading up to 1970. Small towns, in particular, showed a long-term tendency to decline economically. The Cape Midlands and Karoo regions were reported as suffering from several structural deficiencies (Blumenfeld 1971: 144):

- The disadvantageous geographic location of the Karoo region relative to the major national centres of production and consumption
- The lack of exploitable mineral resources and processable raw materials (with the exception of wool and meat)
- The instability of the resource base (mainly due to droughts)
- The fluctuations in the export base, with a long-term sectoral trend towards a decline in demand for wool
- The very high proportion of external earnings accounted for by subsidies and other transfer payments to individuals and institutions in the region
- The low purchasing power of the region's population, and its low market potential
- The general unimportance of the region in terms of national development policies
- Poor backward and forward linkages between productive activities in the region: notably, the agricultural sector obtaining its inputs from outside the region, and agricultural products not being processed within the region.

In this subdued economic climate, the Midlands-Karoo authors offered several suggestions for the long-term maintenance of the economic base of certain Karoo towns. With the benefit of hindsight, some of these suggestions offer a useful lens through which to view the experience of a town such as Graaff-Reinet.

2. LOCAL ECONOMIC DEVELOPMENT IN SMALL TOWNS

While considerable effort has been expended in recent years interrogating 'urban spatialities' and the dynamics that characterise successful cities (see for example Florida, 2005; Marais & Visser, 2008), smaller towns are not inured to the effects of the centripetal 'pull' exerted by the metropolises.

Such towns find themselves having to contend with a host of issues ranging from rural in-migration; urbanisation and counter-urbanisation; economic downscaling brought about by centrally determined 'austerity measures' and corporate rationalisation; urban bias in fiscal allocations; unsympathetic policy makers; the unintended consequences of centralised planning; and so forth. And yet, as Atkinson (2009) has argued, small towns are not without strategic importance to the developmental state, if only because they often function as valuable outposts for government service provision. Furthermore, as Nel (2005:253) has indicated: "Failure to... address the problems of the small towns will aggravate poverty at that level and almost definitely increase migration to the already over-burdened cities". The promotion of LED, it has now been recognised, is key to any such interventions (Kroukamp, 2006).

What makes small town economies 'tick'? The theoretical literature is divided on whether local effort alone can generate sustainable growth or whether it is primarily outside forces that determine whether or not a small town will grow. Whatever the case, the literature reveals there to be no one-size-fits-all, transferable formula for successful LED. As Atkinson (2009:272) points out:

There are numerous theories to explain growth in small towns ... neoclassical models focus on their comparative advantage, 'export base' theory emphasises their ability to provide products or services to regional or national markets, and 'central place' theories emphasise the services they provide to their rural hinterlands. Some theories focus primarily on the external or exogenous determinants of growth, such as globalisation or exchange rates, or labour markets.

These theories are referred to where appropriate in the course of this paper. However, a further theory which is of particular salience to Graaff-Reinet is that of 'internal combustion' which holds that "local entrepreneurs, through their own ingenuity and willingness to accept risk, can build up the local economy". This resonates well with Rogerson's (2005:308-314) delineation of "tourism-led LED", because of the creativity of new tourism entrepreneurs in boosting the assets and marketing of this small town. Consequently, Graaff-Reinet has consciously positioned itself to capitalise on the rising tide of tourism in post-apartheid South Africa. During the 1970s, Graaff-Reinet became known as a 'heritage town' due to the conservation efforts of Dr Anton Rupert (Dommissie, 2005); and in the last ten years, Graaff-Reinet has added eco-tourism to its substantial array of tourist attractions.

3. THE GRAAFF-REINET BUSINESS SURVEY

The purpose of the 2007 survey was to assess business owners' and managers' views about a range of critical economic issues, and to determine the bearing of certain key factors on the vitality of the Graaff-Reinet economy.

A total of 161 formal businesses were canvassed by means of door-to-door visits. With the total number of formal businesses calculated at around 300 in 2006 (Nel & Hill, 2008:23), this survey captured about half of them.

Business owners were interviewed where these were available, failing which recourse was had to on-site managers. The racial profile of the respondents was as follows: of the self-proclaimed South Africans there were seven Indian (4%); 17 black (11%); 31 coloured (19%); and 94 white respondents (59%). These were complemented by 12 non-South African nationals (7%). Most of the respondents (58%) had Afrikaans as their mother tongue although levels of bilingualism are high and English and Xhosa are commonplace. Sixty percent of the interviewees were male.

Table 1 (below) reflects a highly idiosyncratic pattern of population growth amongst the different racial groups during the 30-year period from 1970-2001:

Table 1: Population for Graaff-Reinet town and farms, 1970-2001

	1970	2001	Absolute change 1970-2001	% change
Blacks in town	7 026	8 075	+1 049	+15
Whites in town	5 093	3 537	-1 556	- 31
Coloureds in town	12 787	20 825	+8 038	+ 63
Asians in town	25	24	- 1	- 4
Total population in town	24 931	32 461	+ 7530	+ 30
Farms	8 273	4 579	-3 694	- 45
Total (town and farms)	33 204	37 040	+ 3 926	+ 12

Source: Adapted from Minnaar (1987:151) and Camdeboo Local Municipality (2008:24)

While the urban white population declined significantly during this 30-year period, and the farming population almost halved, this was accompanied by a substantial 63 percent increase in the coloured urban population. The depopulation of the farms probably accounts for some of this latter increase.

4. KEY FACTORS AFFECTING ECONOMIC PERFORMANCE

While the factors discussed here are by no means exhaustive (it is taken as self-evident that the availability and condition of the transport infrastructure, telecommunications, and the water and electricity supply, are crucial elements) it is felt that taking these points into account could serve to enrich LED officers' understanding of a town's economic performance and potential. The factors are discussed here in the light of related responses to questions posed in the business survey, and with reference to the international literature where appropriate.

4.1. Entrepreneurship and business investment

At the core of any economy is its entrepreneurial class. According to Cook (1971:58):

Economic stagnation of the urban places can be averted by entrepreneurs with sufficient enterprise (and capital) to initiate the changes necessary to meet the consumer demands in their initial stages and so encourage rural residents to buy locally. The onus lies on the local professional and trades-people to provide services at a competitive level and at favourable prices which will result in residents coming to regard long-distance shopping trips as an unwarranted expense.

The issue of the cities (metropolises) 'capturing' the spending power of smaller centres is of especial salience to Karoo towns. Given its relative proximity to Port Elizabeth, how has Graaff-Reinet fared in this regard?

With the steady atrophy of the white population referred to earlier, Graaff-Reinet's trading focus has turned increasingly to two emerging markets: the local black and coloured clientele, and the tourism sector (Minnaar, 1987:66). After 1994, however, there arose a discernible trend whereby middle-class people (often 'early retirees') from the cities sought, for a variety of reasons, to move back to country towns (Donaldson, 2007). Impressionistic evidence strongly suggests that Graaff-Reinet is benefiting from such in-migration. This class of 'reverse-migrants' brings with it modern skills, networks and financial capital, which is a major boost for the economy (Hinderink & Titus, 2002; Ingle, 2008). In the absence of census activity, hard evidence as to the numbers involved in this trend is difficult to find, but the 2007 business survey found that 42 business owners or managers (26% of the survey sample) had been actually resident in Graaff-Reinet for fewer than five years. This points to quite extensive recent in-migration.

Another measurement of local business performance is the profitability of businesses. In the business survey, respondents generally experienced the local economy as positive. Sixty percent of businesses reported that their client base had increased over the preceding two years; 31 percent said that their client base had remained static; and only eight percent felt that their clients were fewer than before. Respondents offered several reasons for expanded customer bases, chief amongst which were: increased local purchasing power and demand (26%); improved customer service (21%); better publicity (14%); and the increase in tourist traffic (8%).

An additional indicator of economic confidence is the felt prospects for employment creation. When respondents were asked whether they foresaw employing more staff, 54 percent answered in the affirmative, with 33 percent saying they did not want to employ more people, and the balance declining to venture an opinion either way. In the light of this decidedly bullish outlook it is interesting to note that 62 percent of businesses felt that they were operating in a more competitive environment. Only seven percent reported a falling off in competition while 30 percent felt there had been little change.

It would be instructive to re-visit these responses in the light of the fallout from the global financial turmoil that set in in 2008.

Respondents were also asked whether they thought the overall economy had expanded in the recent past. Of 138 responses, half the interviewees felt that this was the case; 23 percent believed that it had contracted; and 26 percent maintained that the economy was flat.

This generally positive prognosis was borne out by responses to a further useful perspective - businesses were asked whether they planned to expand or upgrade their premises. Presumably, if the economic climate is positive, more businesses would be eager to enlarge or improve their physical infrastructure. Of the total sample, 62 businesses (39%) stated that they wanted to upgrade their premises. Of these affirmative respondents, 21 felt that their current premises were too small; 16 wanted to improve their image; and seven wanted to diversify.

It is necessary for small towns constantly to strengthen their economic base by encouraging small- and micro-enterprises to take root and grow. Of 108 business owners polled, 29 respondents had only owned their company for one to two years. Given the proportion of the sample, this might suggest in the region of 30 start-ups a year which points to a vibrant culture of entrepreneurialism. Thirteen percent of respondents had owned their company for three to five years. Taken together, this means that 40 percent had conducted their enterprises for less than five years. Although this suggests a solid rate of business start-ups it also indicates that many businesses may still be in a vulnerable stage of their development.

The extent of this vulnerability can also be gauged by the size of monthly turnover. A sizable proportion (about a third of all businesses) canvassed had a monthly turnover of less than R10 000, which is indeed very modest. A further quarter reported turnover of between R10 000 and R50 000 per month, which is also potentially fairly marginal although of course turnover in a retail environment is a very different proposition from turnover in the service sector, for instance.

Of the enterprises surveyed, 11 percent had no employees at all. Most (55%) were small, with between one and five employees. A further 19 percent of businesses had between six and 15 employees, and only 14 percent (a total of 23 companies) boasted more than 15 staff members. These findings show that Graaff-Reinet's economy nominally consists largely of small companies although there is nothing particularly unusual about this.

The vulnerability of businesses was also revealed by other factors in the 2007 survey. For example, business owners were asked how they had accessed their start-up capital. A total of 106 answered this question.

Of these, by far the largest proportion (79%) had drawn on personal savings or loans from their family. A mere 12 percent had received loans from a financial institution.

Although this indicates that most undertakings are little more than survivalist or micro enterprises, the fact of their hazarding their own capital is indicative of a genuine entrepreneurial ethos. Unsurprisingly perhaps, bad debt features as an endemic problem with a significant 30 percent of respondents claiming to have had bad debts. This might also point to a perceived need to give credit in order to secure market share, and a lack of administrative wherewithal to enforce proper credit control.

Generally, the profile of Graaff-Reinet shows a growing, healthy entrepreneurial base, but with a large proportion of newcomers, some of whom are in need of business support to enable their enterprises to consolidate and flourish.

4.2. Diversification of the local economy

Towns not only grow by boosting the total number of local businesses, but by adapting their economic profile to promote new opportunities. Such diversification has numerous benefits: it reduces the economic vulnerability of the local economy; it promotes local multipliers by offering a diverse range of goods and services; and it stimulates new investment in more sophisticated goods and services which, in turn, leads to additional in-migration and capital inflows. "Rural renewal is a process that increases choices. It focuses on new options, diversification, thinking about issues differently and anticipating change" (Kenyon & Black, 2001:18). In the Midlands-Karoo reports, for example, Vrey (1974:191) highlighted the need for larger centres to consolidate their economic status and promote economic diversification. The lack of manufacturing and construction in Karoo towns was a particular cause for concern.

To this view must be added another argument, which is in some tension with the diversification approach. This is the 'neoclassical model' which focuses on trade as the primary engine of growth (Daniels, 1989:417). According to this view, towns should determine their 'comparative advantage', and specialise in those goods and services that they are best suited to producing. There are thus at least two distinct approaches available to towns - either diversify or focus all resources on exploiting a comparative advantage. The problem is that, by focusing single-mindedly on comparative advantage, a very narrow economic base may be created, where a town's fortunes hinge on just one or two products or services. This has the effect of making an economy vulnerable to international market fluctuations or changes in consumer preferences.

Yet, notwithstanding the tensions between them, these two paradigms can be reconciled with one another.

It must be feasible to diversify in such a fashion that a fairly wide range of products and services is encouraged, which are compatible with local conditions (low-rainfall, for instance), but which nevertheless also participate in some or other dimension of local comparative advantage. Recent developments, such as telecommunications advances and the in-migration of people from large cities, have changed local dynamics in ways that may enhance or reduce the economic diversity and resilience of towns. Whereas the Internet may enable people to by-pass local outlets with certain types of purchases, it also gives rise to new professions which support local businesses (Power & Shaw, 2004). Furthermore, many towns - including Graaff-Reinet - can be described as diversifying towards 'post-productivist' sectors (Halfacree, 2006), such as small-town tourism, ecotourism, arts and crafts, spiritual retreats, retirement, and lifestyle functions, often associated with gentrification (Donaldson, 2009). Rural tourism offers a variety of new niche pursuits, such as bird-watching, hiking, mountaineering, sky-diving, palaeontology, and cultural tourism (Roberts & Hall, 2004).

In the Graaff-Reinet business survey, most businesses (just over a quarter) fell into the category of retail food sales (groceries, vegetables, butcheries, general merchandise). Six percent of enterprises were in the vehicle or garage trade, illustrating the importance of Graaff-Reinet's being situated on a national highway. The tourist trade is also significant with seven percent of businesses being restaurants of one sort or another, and an equal proportion classified as accommodation establishments. If the arts and crafts businesses (6% of the total) are included then about one in five undertakings depends largely on the tourist trade for its survival.

In answer to the question whether they were contemplating diversifying their businesses, a substantial 40 percent of respondents replied that they were primarily into the abovementioned tourism-related sectors. These intentions provide an instance of modest diversification within the broad ambit of a comparative advantage.

4.3. Export base theory and local multipliers

The 'export base theory' is another variant of neoclassical theory (Daniels, 1989:417). It emphasises the development of businesses that export goods and services as the key to local economic growth. Their markets are regional, national, or even international in scope. The utility of exports is that they bring new money into a locality, which can stimulate local multipliers. Typical exports are agricultural commodities, manufactured products, and tourism. A concomitant of this theory is the desirability of promoting local multipliers.

Whereas 'export base theory' emphasises the need to sell goods and services to non-local customers, the focus on stimulating local multipliers is intended to encourage local people to *purchase* their goods and services locally - thereby increasing the amount of money in circulation in the local economy.

Such purchases could be those made by local residents as well as local businesses. Studies have shown that the recent in-migration of city residents (the so-called 'population turnaround') can be associated with the growth of local export-based firms, because increasing local purchasing power creates economies of scale in small town economies. Furthermore, manufacturing and non-manufacturing enterprises (such as tourism) can contribute to the export of local goods and services (Smith, 1984: 153).

Businesses in Graaff-Reinet were asked about their customer profiles in terms of their origins. The survey found that 31 percent sell their products almost exclusively to local residents; nine percent (typically guesthouses) solely to outsiders; and 60 percent to a mixture of the two. Survey participants were also asked about their purchases of inputs and supplies. The survey found that 29 percent source their supplies within the local area; 42 percent purchase inputs from outside; and 28 percent from both within and beyond Graaff-Reinet's boundaries. These latter figures suggest a fairly significant stunting of local multipliers.

4.4. Government expenditure

According to another of the Midlands-Karoo authors, "The sustaining factor in the regional economy has been the injection of capital by external government agencies consequent upon the expansion of services" (Blumenfeld, 1971:12). Cook (1971: 58) further argued that hospital and secondary school expenditure is very important to maintain the status of towns. The same argument has been made, with reference to public works schemes in underdeveloped rural regions and small towns (Barrows & Bromley, 1975).

A necessary condition for the creation of livelihoods in a non-metropolitan region is the existence of a sufficient economic surplus in the region (Pedersen, 1990:98). Such a surplus may be derived from local agricultural production; from wages to public servants; pensions; tourists; development aid; government grants; investment by outsiders; construction projects; or military establishments. Some money needs to circulate in order to fuel the purchasing power which sustains subsidiary firms.

In terms of this argument, it is critical that government departments examine the impacts of their expenditures (or their lack thereof) on small towns. In many cases, government departments decide unilaterally to establish (or, more frequently, to close) key institutions in the smaller centres. Examples are hospitals, schools and training colleges. Such decisions can have devastating consequences and exert major pressures, curiously enough often unanticipated, on the economic viability of such towns (Atkinson & Marais, 2006; Satterthwaite & Tacoli, 2003).

Government service provision has always been prominent in the case of Graaff-Reinet, and fortunately, in recent years even more government expenditure has been concentrated in Graaff-Reinet - as opposed to the case with its satellite towns of Pearston, Jansenville, Aberdeen and Nieu-Bethesda. Graaff-Reinet has branches of the Department of Education, the Department of Social Development, the Department of Health, the Department of Agriculture, the Department of Defence, and the Department of Nature Conservation. Other departments are planning new extensions, such as the Small Enterprise Development Agency (SEDA) of the Department of Trade and Industry. There is also a large police training college and a hotel school.

Graaff-Reinet's role in providing education has also served as a perennial mainstay. In the early 1900s several private and government schools amalgamated to form the two significant institutions, Volkskool and Union High School (Minnaar, 1987:104). For many decades the hostel facilities offered by these schools have served to draw farming families into the local community. Graaff-Reinet's schools have maintained their pre-eminence in the Karoo, and have served to some degree to stem the loss of middle-class families to the larger metropolises.

A major change in the local economy has been occasioned by the unprecedented surge in the value of social grants (pensions, child, and disability grants). Eighteen percent of businesses reported 'pension day' as being their peak monthly sales period, as opposed to the end of the month. This demonstrates the far-reaching economic impact of state social grants.

4.5. The skills base

Graaff-Reinet's steady rate of influx from the cities, combined with its strong educational heritage, has resulted in a relatively healthy skills base. In the 2007 survey respondents were found to be largely at least school-educated. Twelve respondents had no more than a primary school education; 14 had some high school education; and 75 (48%) had completed matric. Tellingly, a significant number had diplomas (25 respondents or 16%), and 32 respondents (20%) had a university degree. A total of 36 percent of respondents therefore had tertiary education which indicates a very well-educated entrepreneurial sector.

As already mentioned, a growing phenomenon in Graaff-Reinet is the immigration of well-educated, experienced urbanites. Studies elsewhere in the world have shown that 'quality of life migrants' can have a major positive impact on a local economy, as they bring new sources of capital, skills and entrepreneurship (Beyers & Nelson, 2000).

4.6. Geographic location

In the international literature on small towns, a common concept used to designate these locales is 'service centres'. 'Central place theory' classifies communities according to their economic functions and trading 'footprint' (Daniels, 1989:417). For example, lower order central places have small businesses that offer day-to-day convenience goods and services, but their trade areas are rather limited. Higher order central places offer a wider range of goods and services. The key variable here is the nature and density of interactions between a town and its rural hinterland, or between a town and its smaller satellites.

The status of different service centres varies and is based on horizontal and vertical specialisations. A horizontal specialisation typically entails enterprises interacting with the same local market (e.g. a grocery store, butchery and garage serving the same local population). Vertical specialisation relates to interaction with enterprises at higher levels of the urban hierarchy (e.g. a local doctor referring patients to more specialised physicians in the city) (Pedersen, 1990:96). The small town receives inputs from the larger higher-order centres. This system of service centres builds up into a hierarchy of settlements.

The role of small towns vis-à-vis larger centres may change, depending on extraneous variables. For example, very low rural incomes will reduce the local market and discourage local entrepreneurs. Efficient long-distance transportation may also constrict the local market, because local consumers may prefer to travel to larger centres where there are more sophisticated services and shops.

In the Midlands-Karoo reports, it was suggested that the urban places most vulnerable to decline are those in close proximity to higher order centres which, besides providing similar convenience shopping services, also offer a wider choice and therefore encourage multipurpose shopping trips (Cook, 1971:57). In the case of Graaff-Reinet, the largest shopping hub is Port Elizabeth, some 240 km away. Graaff-Reinet therefore enjoys a relatively unchallenged status as a supply point for most goods and services (with the exception of sophisticated specialty goods and services (such as medical specialists). Towns that are more remote from large urban centres are more likely to be integrated into their immediate locality, which suggests that they may be an appropriate focus of rural development initiatives (Courtney & Errington, 2000).

4.7. The impact of business corporates

The presence of branches of large retail companies is always a mixed blessing for small economies.

Such companies may 'crowd' local small-scale entrepreneurs out of business, due to their superior buying power and pricing strategies, but their presence is sometimes also instrumental in retaining local spending power thereby, albeit indirectly, stimulating local economic multipliers. There are cases when the investment of a single large company can turn around the fortunes of a town (Gibb & Nel, 2007). Studies have shown that new retail companies, supermarkets and shopping complexes can help to refurbish city centres, if town planning is done effectively (Thomas & Bromley, 2002).

Cook (1971:58), in discussing the impact of chain store branches on small towns, noted that, even though local storekeepers tended to regard such developments with dismay, they often stood to benefit from the increased numbers attracted by the new shopping nexus. Her observation was prescient as time has shown that those Karoo towns with chain store branches have functioned as magnets - at the expense of towns without such drawcards.

Only 75 percent of the businesses polled were 'headquartered' in Graaff-Reinet. This underscores the perception of Graaff-Reinet as an important retail centre and reveals that a considerable number of national or regional companies, typically the larger employers in the town, have 'set up shop' there. This has had the effect of drawing in purchasing power from the surrounding towns, and lends stature to the local economy. Only 13 companies had however received any support in setting up their businesses, and of these most were corporates providing assistance to local branches or franchises. This again illustrates the importance of corporate links.

4.8. Relationships with the agricultural sector

The Midlands-Karoo authors invariably dwelt on the central role played by agriculture for Karoo towns. Cook (1971:58) maintained that it was essential for centres to continue as collection and distribution points for farm products, in order to retain their functional status. Vrey (1974:186) also elaborated on the desirability of sound relationships between farmers and small towns, as do Satterthwaite & Tacoli (2003; 2006).

Although Graaff-Reinet has always depended on its links with the farming community by acting as a distribution centre for agricultural inputs, household goods and farming produce, its relationship with its farming hinterland is a complex question that deserves further study. To what extent, for instance, are farmers nowadays by-passing smaller centres when they market and distribute their produce, or purchase inputs? Are farmers still as reliant on the proximity of small towns as they once were? Is the farming community of diminished importance to rural economies?

Graaff-Reinet still seems to fulfil an important function for agriculture however. Toerien (2008) identifies 20 firms in the town providing agricultural inputs and services, as well as eight processing plants.

There is also ample evidence in the town's weekly newspaper (*The Karoo Advertiser*) of the hinterland community patronising social services such as the schools, churches and doctors. Numerous farms have established excellent guest farm facilities, thereby creating a vital synergy of interests with the tourism sector in Graaff-Reinet. There is an initiative underway to formulate a cohesive marketing plan for Graaff-Reinet and its hinterland and it would appear that the economic relationship between town and country remains healthy and dynamic.

4.9. Community ethos

An important aspect of any local economy is its 'social capital' - the networks and community ethos in which its businesses are embedded (O'Toole & Burdess, 2005). The greater the degree of trust and cooperation, the more businesses can leverage their resources to advantage. When businesspeople interact with one another and their clients or service providers within the social domain, such relationships help strengthen loyalties and local business activity. This enables important local partnerships to be built (Clark, Southern & Beer, 2007). In particular, social networks enable the leveraging of other forms of capital, such as financial, physical and human capital (Evans & Syrett, 2007:71).

The sense of community was tested in the 2007 survey by asking business owners and managers whether they would be prepared to provide mentoring to enterprises in receiving support of this nature. While 56 respondents expressed interest in *receiving* mentoring, it was significant that even more (60 respondents) were willing to *provide* business mentoring on a *pro bono* basis. This indicates a strong sense of community-spiritedness and willingness to assist fellow citizens to make a living.

When probed about their relationship with the Camdeboo Local Municipality, 37 percent of the sample confirmed that they had received some form of assistance from the municipality. This was generally in the form of municipal purchases (19 interviewees) and infrastructure provision (12 cases). Fourteen respondents pointedly commended the pro-growth stance and responsiveness of the municipality.

Yet a significant proportion of respondents felt that the municipality had done nothing for them, or had obstructed them in their business enterprises. Most of these frustrations centred on its alleged inertia. In one respect, the municipality found itself in a no-win situation, with respondents complaining about inadequate controls on the informal sector, while others complained of too much control. Given the rapid political changes in the municipal arena since 1994, these contradictory sentiments are not surprising. The municipality evidently still needs to strengthen its relationship with certain elements within the business sector.

Interestingly, only one respondent cited corruption as a municipal problem. This implies a generally ethical governmental and business environment, for which Graaff-Reinet should be deeply thankful. Such a reputation for plain, honest dealing enhances the attractiveness of a destination for outside investors.

4.10. Local leadership

Internationally, the role of local government in promoting a positive local business environment is increasingly recognised (Nel & Rogerson, 2007). Municipalities can undertake numerous supportive measures to assist and attract businesses, for example, by providing tax breaks, loans and subsidies to attract wealthy individuals and companies (Daniels, 1989:418). In South Africa, the new municipal order since 1994 is predicated on the role of 'developmental local government' in promoting economic and social development.

The main instrument for the municipality's economic leadership role is its Integrated Development Plan (IDP). In Graaff-Reinet, the municipality has largely focused on its core business of providing utilities and infrastructural services. This has provided a stable environment for businesses to function in. In addition, an active LED officer has undertaken innovative work to liaise with the business sector and to attract government funding for selected enterprises particularly those which would diversify the economy and provide employment. The Camdeboo Municipality is in the process of developing an LED Strategy Plan. This has been outsourced, and is being financed by a combination of provincial and donor funding (Camdeboo Local Municipality, 2008:50).

The Municipality is careful to stipulate what is, and what is not, its appropriate role. Some projects are supported in principle, and the municipality lends its authority to them to secure funding. Projects in this category include Radio Graaff-Reinet and the Grasrand Landcare Project. In other cases, the municipality operates in partnership with other agencies, such as the promotion of tourism in partnership with the Graaff-Reinet Publicity Association; the upgrading of tourism facilities in partnership with the Camdeboo National Park; and the provision of trucking facilities, in partnership with Thusano Empowerment (Camdeboo Local Municipality, 2008:49). Various new industries and programmes are either being implemented or are under consideration, including an aloe processing plant, an agave distillery, wool and mohair processing, tunnel farming, poultry and livestock production, fish farming, and the production of fruit, vegetables, flowers and essential oils. In the tourism arena, the municipality is actively investigating the creation of a Khoisan Heritage Route, rail-based tourism, eco-tourism and hiking trails, the training of tour guides, and the ongoing preservation of historical buildings (Camdeboo Local Municipality, 2008:51).

5. CONCLUSION

This paper has detailed ten key elements of Graaff-Reinet's economic progress. While no claim is made that the list is complete or exhaustive, it does provide an indication of the multi-faceted nature of the research required to determine a town's economic status and prospects.

Promoting local economic development is an all-embracing undertaking. It cannot be limited to the addressing of one or two key issues, or the implementation of a couple of selected projects. It is an holistic endeavour which should incorporate an understanding of the skills base; the investment climate; the relationship with the locality's hinterland; relationships with national and global companies; the local social ethos; local leadership style; as well as the more obvious features such as the natural resource base or the availability of appropriate infrastructure.

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